

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Three Rivers Community Schools	County St. Joseph
Fiscal Year End June 30, 2006	Opinion Date October 5, 2006	Date Audit Report Submitted to State December 5, 2006	

We affirm that:

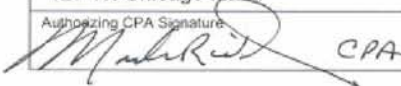
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO **Check each applicable box below.** (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No comments and recommendations	
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit Reports	
Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.		Telephone Number 269-651-3228	
Street Address 127 W. Chicago Road		City Sturgis	State MI
Authorizing CPA Signature  CPA		Printed Name Michael R. Wilson	License Number 1101017570

THREE RIVERS COMMUNITY SCHOOLS

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2006

Three Rivers Community Schools

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Three Rivers Community Schools

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Three Rivers Community Schools, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Three Rivers Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools as of June 30, 2006, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The administration's discussion and analysis and budgetary comparison schedule as identified in the table of contents, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Board of Education
Three Rivers Community Schools

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Three Rivers Community Schools basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2006, on our consideration of Three Rivers Community School's internal control over financial reporting and on our tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Norman J. Paulson, P.C.

October 5, 2006

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2006

This section of Three Rivers Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2006. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Three Rivers Community Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, the 2004 Capital Projects Fund and the Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

District-wide Financial Statement Fund Financial Statements

Notes to the Basic Financial Statement

(Required Supplemental Information)

Budgetary Information for the General Fund and Major Special Revenue Funds

Other Supplemental Information

Reporting the School District as a whole - District-wide Financial Statements

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2006

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds - Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2006

The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2006 and 2005:

TABLE I

	June 30	
	<u>2006</u>	<u>2005</u>
Assets		
Current and other assets	\$ 18,119,368	\$ 29,022,187
Capital assets - Net of accumulated depreciation	43,758,006	34,471,251
Other noncurrent assets	<u>299,490</u>	<u>310,000</u>
Total assets	62,176,864	63,803,438
Liabilities		
Current liabilities	4,216,292	4,408,878
Long-term liabilities	<u>47,208,037</u>	<u>48,512,598</u>
Total liabilities	51,424,329	52,921,476
Net Assets		
Invested in property and equipment - net of related debt	5,501,853	4,524,872
Restricted for debt service	1,211,691	1,444,986
Restricted for scholarships	52,986	67,833
Unrestricted	<u>3,986,005</u>	<u>4,844,271</u>
Total net assets	<u>\$ 10,752,535</u>	<u>\$ 10,881,962</u>

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2006

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$10,752,535 at June 30, 2006. Capital assets, net of related debt totaling \$5,501,853 compares the original cost, less depreciation of the School District's capital assets to long-term debt. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$3,986,005 was unrestricted.

The \$3,986,005 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2006 and 2005.

TABLE 2

	Year Ended June 30,	
	2006	2005
Revenue		
Program revenue:		
Charges for services	\$ 956,388	\$ 1,140,282
Grants and categoricals	3,785,893	3,670,227
General revenue:		
Property taxes	6,991,468	6,943,544
State foundation allowance	16,507,554	15,987,861
Interest and other	<u>768,548</u>	<u>583,548</u>
Total revenue	29,009,851	28,325,462
Function/Program Expenses		
Instruction	14,520,095	14,552,996
Support services	9,552,664	8,831,499
Community services	141,420	131,195
Food services	1,076,347	1,057,810
Athletics	399,465	375,909
Endowment activities	16,700	3,200
Interest on long-term debt	2,339,798	2,059,174
Depreciation (unallocated)	<u>1,092,789</u>	<u>1,071,418</u>
Total expenses	<u>29,139,278</u>	<u>28,083,201</u>
Change in net assets	<u>\$ (129,427)</u>	<u>\$ 242,261</u>

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2006

As reported in the statement of activities, the cost of all governmental activities this year was \$29,139,278. Certain activities were partially funded from those who benefited from the programs \$(956,388) or by other governments and organizations that subsidized certain programs with grants and categoricals \$(3,785,893). We paid for the remaining "public benefit" portion of our governmental activities with \$6,991,468 in taxes, \$16,507,554 in State foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets of \$129,427. Key reasons for the change in net assets were capitalizable expenditures and the repayment of bond principal and other long-term obligations. The decrease in net assets differs from the change in fund balance and a reconciliation appears on page 16.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted sources.

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$15,665,023, which is a decrease of \$10,667,736 from last year. In the General Fund, our primary operating fund, the fund balance decreased \$880,324 to \$4,109,933, a change of 17.6 percent. This was primarily the result capital outlay projects totaling \$284,109 and curriculum projects totaling \$260,428, all of which were funded internally. These capital outlay projects included vehicle purchases of \$212,950. The General Fund fund balance has been reserved for prepaid expenditures - \$164,185; reserved for inventory - \$44,680; designated for future projects - \$820,000; and undesignated - \$3,081,068.

In the Capital Projects Fund the fund balance decreased from \$19,370,765 to \$9,820,320. This was the result of a voter approved \$20,555,000 bond issue less bond costs and construction in progress costs incurred through June 30, 2006. The purpose of the Capital Projects Fund is to continue to spend the fund balance to complete the voter approved purpose of erecting, furnishing and equipping additions to and remodeling, refurnishing and re-equipping elementary school buildings, including educational technology system improvements; and developing and improving playgrounds and sites.

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2006

In the Debt Service Fund the fund balance decreased \$247,005 to \$1,584,631. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue - related debt service. Debt Service Fund fund balance is reserved since it can only be used to pay debt service obligations.

Our Food Service Fund fund balance increased \$24,885 to \$97,153.

Our Athletics Fund is maintained at a zero fund balance and was supported by an operating transfer from the General Fund in the amount of \$339,730.

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased \$44,480, to better reflect state per student foundation funding and adjustments to categorical funding. Actual revenues were within \$104,586 of final budgeted revenues or 0.4 percent.

Budgeted expenditures were decreased \$63,443 during the year. Actual expenditures ended the year under the final budget by \$116,149 or 0.5 percent.

There were no significant variances between the final budget and actual amounts.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2006, the School District had \$55,555,865 invested in a broad range of capital assets, including land, buildings, buses, furniture and equipment, and outside site improvements. This amount represents a net increase (including additions and disposals) of \$10,110,871, or 22 percent, from last year.

Of this amount \$10,082,507 was funded out of the Capital Projects Fund for building improvement projects and \$212,950 was funded internally for the purchase of three buses. It also reflects the disposal of six fully depreciated buses originally costing \$268,673.

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2006

	<u>2006</u>	<u>2005</u>
Land	\$ 526,063	\$ 526,063
Buildings and improvements	39,337,017	39,271,353
Buses and other vehicles	2,196,648	2,252,371
Furniture and equipment	785,112	766,689
Outside site improvements	1,500,964	1,500,964
Construction in progress	<u>11,210,061</u>	<u>1,127,554</u>
Total capital assets	55,555,865	45,444,994
Less accumulated depreciation	<u>11,797,859</u>	<u>10,973,743</u>
Net capital assets	<u>\$ 43,758,006</u>	<u>\$ 34,471,251</u>

Debt

At the end of this year, the School District had long-term debt obligations totaling \$48,597,044 outstanding versus \$49,845,398 in the previous year - a change of 2.5 percent. The debt obligations consisted of the following:

	<u>2006</u>	<u>2005</u>
General Obligation Bonds	\$ 48,001,841	\$ 49,218,716
Note payable	374,122	408,428
Other	<u>221,081</u>	<u>218,254</u>
	<u>\$ 48,597,044</u>	<u>\$ 49,845,398</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

THREE RIVERS COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)
YEAR ENDED JUNE 30, 2006

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor.

Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.

Increases in heating fuel costs and transportation fuel costs.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Department, 851 Sixth Avenue, Three Rivers, Michigan 49093.

THREE RIVERS COMMUNITY SCHOOLS

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 4,433,045
Investments	9,824,602
Accounts receivable	139,735
Taxes receivable (net)	-
Due from other governmental units	3,488,133
Prepaid expenses	177,608
Inventories	<u>56,245</u>
Total current assets	18,119,368
Noncurrent Assets:	
Capital assets	55,555,865
Less: accumulated depreciation	<u>11,797,859</u>
Net capital assets	43,758,006
Unamortized bond discount	193,948
Unamortized issuance cost for bonds	<u>105,542</u>
Total noncurrent assets	<u>44,057,496</u>
Total assets	62,176,864
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	255,287
Accrued payroll	1,238,582
Accrued benefits	838,600
Accrued interest	372,940
Deferred revenue	121,876
Notes payable, due within one year	36,096
Bonds payable, due within one year	<u>1,352,911</u>
Total current liabilities	4,216,292
Noncurrent Liabilities:	
Compensated absences	221,081
Notes payable	338,026
Bonds payable	<u>46,648,930</u>
Total noncurrent liabilities	<u>47,208,037</u>
Total liabilities	51,424,329
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	5,501,853
Restricted for debt service	1,211,691
Restricted for scholarships	52,986
Unrestricted	<u>3,986,005</u>
Total net assets	<u>\$ 10,752,535</u>

See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/ Contributions	Activities Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 14,520,095	\$ 306,456	\$ 2,570,657	\$ (11,642,982)
Support services	9,552,664	62,111	589,104	(8,901,449)
Food services	1,076,347	484,277	614,419	22,349
Athletics	399,465	72,663	-	(326,802)
Community services	141,420	30,881	-	(110,539)
Endowment activities	16,700	-	1,853	(14,847)
Interest on long-term debt 2,339,798	-	9,860	(2,329,938)	
Depreciation (unallocated)	<u>1,092,789</u>	<u>-</u>	<u>-</u>	<u>(1,092,789)</u>
Total Governmental activities	<u>\$ 29,139,278</u>	<u>\$ 956,388</u>	<u>\$ 3,785,893</u>	(24,396,997)
General revenues:				
Taxes				
Property taxes, levied for general operations				3,768,624
Property taxes, levied for debt service				3,222,844
State aid not restricted to specific purposes				16,507,554
Interest and investment earnings				634,707
Other				<u>133,841</u>
Total general revenues				<u>24,267,570</u>
Change in Net Assets				(129,427)
Net Assets - Beginning of year				<u>10,881,962</u>
Net Assets - End of year				<u>\$ 10,752,535</u>

See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006

	General	2004 Capital Projects	Debt Service
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,591,737	\$ 2,462	\$ 1,585,551
Investments	-	9,824,602	-
Accounts receivable	56,711	82,195	283
Due from other governmental units	3,488,133	-	-
Due from other funds	126,757	-	-
Prepaid expenditures	164,185	9,098	-
Inventories	44,680	-	-
Total assets	<u>\$ 6,472,203</u>	<u>\$ 9,918,357</u>	<u>\$ 1,585,834</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 163,212	\$ 90,872	\$ 1,203
Accrued payroll	1,238,582	-	-
Accrued benefits	838,600	-	-
Due to other funds	-	7,165	-
Deferred revenue	121,876	-	-
Total liabilities	2,362,270	98,037	1,203
Fund Balances:			
Reserved:			
Prepaid expenditures	164,185	-	-
Inventories	44,680	-	-
Scholarships	-	-	-
Debt service	-	-	1,584,631
Capital projects	-	9,820,320	-
Unreserved:			
Designated for future projects	820,000	-	-
Undesignated	3,081,068	-	-
Total fund balances	<u>4,109,933</u>	<u>9,820,320</u>	<u>1,584,631</u>
Total liabilities and fund balances	<u>\$ 6,472,203</u>	<u>\$ 9,918,357</u>	<u>\$ 1,585,834</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Total
\$ 253,295	\$ 4,433,045
-	9,824,602
546	139,735
-	3,488,133
-	126,757
4,325	177,608
<u>11,565</u>	<u>56,245</u>
<u>\$ 269,731</u>	<u>\$ 18,246,125</u>

\$ -	\$ 255,287
-	1,238,582
-	838,600
119,592	126,757
<u>-</u>	<u>121,876</u>
119,592	2,581,102

4,325	168,510
11,565	56,245
52,986	52,986
-	1,584,631
-	9,820,320
-	820,000
<u>81,263</u>	<u>3,162,331</u>
<u>150,139</u>	<u>15,665,023</u>
<u>\$ 269,731</u>	<u>\$ 18,246,125</u>

THREE RIVERS COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

Total Fund Balances - Governmental Funds \$ 15,665,023

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and are not reported in the funds.

The cost of the capital assets is 55,555,865

Accumulated depreciation is (11,797,859)

Total 43,758,006

Long-term liabilities are not due and payable in the
current period and are not reported in the funds:

Compensated absences (221,081)

Notes payable (374,122)

Bonds payable (48,001,841)

Bond discount, net of amortization \$10,209 193,948

Bond issuance cost, net of amortization \$5,556 105,542

Accrued interest payable on long-term liabilities is not
included as a liability in governmental activities (372,940)

Net assets of governmental activities \$ 10,752,535

See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006

	General	2004 Capital Projects	Debt Service
Revenues:			
Local sources	\$ 4,053,357	\$ 532,062	\$ 3,260,535
State sources	18,309,706	-	31,735
Federal sources	1,335,734	-	-
Interdistrict	<u>310,974</u>	<u>-</u>	<u>-</u>
Total revenues	24,009,771	532,062	3,292,270
Expenditures:			
Instruction	14,517,268	-	-
Supporting services	9,836,773	-	-
Community services	141,420	-	-
Food services	-	-	-
Athletics	-	-	-
Endowment activities	-	-	-
Capital outlay	-	10,082,507	-
Debt service			
Principal payment	34,306	-	1,216,875
Interest and fiscal charges	<u>20,598</u>	<u>-</u>	<u>2,322,400</u>
Total expenditures	<u>24,550,365</u>	<u>10,082,507</u>	<u>3,539,275</u>
Excess (deficiency) of revenues over expenditures	(540,594)	(9,550,445)	(247,005)
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>(339,730)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(339,730)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(880,324)	(9,550,445)	(247,005)
Fund balances, July 1	<u>4,990,257</u>	<u>19,370,765</u>	<u>1,831,636</u>
Fund balances, June 30	<u>\$ 4,109,933</u>	<u>\$ 9,820,320</u>	<u>\$ 1,584,631</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Total
\$ 561,329	\$ 8,407,283
45,933	18,387,374
571,525	1,907,259
<u>-</u>	<u>310,974</u>
1,178,787	29,012,890
-	14,517,268
-	9,836,773
-	141,420
1,079,386	1,079,386
412,393	412,393
16,700	16,700
-	10,082,507
-	1,251,181
<u>-</u>	<u>2,342,998</u>
<u>1,508,479</u>	<u>39,680,626</u>
(329,692)	(10,667,736)
339,730	339,730
<u>-</u>	<u>(339,730)</u>
<u>339,730</u>	<u>-</u>
10,038	(10,667,736)
<u>140,101</u>	<u>26,332,759</u>
<u>\$ 150,139</u>	<u>\$ 15,665,023</u>

THREE RIVERS COMMUNITY SCHOOLS
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

Student
Activities
Agency Fund

ASSETS

Cash and cash equivalents

\$ 154,942

LIABILITIES

Due to student groups

\$ 154,942

See Notes to Financial Statements

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Three Rivers Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-Wide Statements - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customer or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Fund-based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 2004 Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

The Debt Service Fund is used to record tax, interest, other revenue for payment of principal, interest and other expenditures on the bond issues.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Services Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

THREE RIVERS COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

Compensated Absences - The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications - Comparative data is not included in the district's financial statements.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The School district did not have significant expenditure budget variances.

Capital Projects Fund Compliance - The Capital Projects Fund include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of 1351a of the State of Michigan's School Code.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 - CASH AND CASH EQUIVALENTS

The School District's cash and cash equivalents at June 30, 2006, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits	<u>\$ 4,433,045</u>	<u>\$ 154,942</u>	<u>\$ 4,587,987</u>

Deposits consist of checking, savings, and time certificates. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$5,257,163. Of that amount, \$263,092 was covered by federal depository insurance coverage or secured and \$4,994,071 was uninsured and uncollateralized.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - INVESTMENTS

The School District is authorized by Michigan Public Act 132 of 1986 and School Board policy to invest surplus monies in U.S. bonds and notes, highly rated commercial paper, bankers' acceptances, and mutual funds or investment pools that are composed of authorized investment vehicles.

The School District's investments at June 30, 2006 from the issuance of bonds had a carrying and market value of \$9,824,602. Monies are being held in an escrow account with a local bank for capital fund expenditures. The monies consist of government money market funds and U.S. government notes and bonds issued by Federal agencies.

Investments are normally categorized to give an indication of the level of risk assumed by the School District; however, bank investment pools and interlocal agreement investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue include unearned grant and categorical aid payments received prior to meeting all eligibility requirements in the amount of \$121,876.

NOTE 6 - CAPITAL ASSETS

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
Assets not being depreciated - Land	\$ 526,063	\$ -	\$ -	\$ 526,063
Capital assets being depreciated:				
Buildings and building improvements	39,271,353	65,664	-	39,337,017
Buses and other vehicles	2,252,371	212,950	268,673	2,196,648
Furniture and equipment	766,689	18,423	-	785,112
Outside site improvements	1,500,964	-	-	1,500,964
Construction in progress	<u>1,127,554</u>	<u>10,082,507</u>	<u>-</u>	<u>11,210,061</u>
Subtotal	44,918,931	10,379,544	268,673	55,029,802
Accumulated depreciation:				
Buildings and building improvements	8,827,929	769,009	-	9,596,938
Buses and other vehicles	1,454,776	214,092	268,673	1,400,195
Furniture and equipment	463,528	35,754	-	499,282
Outside site improvements	<u>227,510</u>	<u>73,934</u>	<u>-</u>	<u>301,444</u>
Subtotal	<u>10,973,743</u>	<u>1,092,789</u>	<u>268,673</u>	<u>11,797,859</u>
Net capital assets being depreciated	<u>33,945,188</u>			<u>43,231,943</u>
Net capital assets	<u>\$ 34,471,251</u>			<u>\$ 43,758,006</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

The School District has active construction projects at year end. These construction projects are being completed from funds received by the \$20,555,000 2004 Building and Site Bond Issue. The District's cumulative expenditures at June 30, 2006 from this bond issue amounted to \$11,525,316.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
General Fund	2004 Capital Projects Fund	\$ 7,165
General Fund	Other governmental funds	<u>119,592</u>
		<u>\$ 126,757</u>
Interfund Transfers:		
	Transfer Out:	
	General Fund	
Transfer in:		
Other governmental funds	\$	<u>339,730</u>

NOTE 8 - LONG-TERM DEBT

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include compensated absences.

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds	\$49,218,716	\$ -	\$1,216,875	\$48,001,841	<u>\$1,352,911</u>
Notes	408,428	-	34,306	374,122	<u>\$ 36,096</u>
Other Obligations	<u>218,254</u>	<u>2,827</u>	<u>-</u>	<u>221,081</u>	<u>\$ -</u>
Totals	<u>\$49,845,398</u>	<u>\$ 2,827</u>	<u>\$1,251,181</u>	<u>\$48,597,044</u>	

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**NOTE 8 - LONG-TERM DEBT - (Continued)**

The annual requirement to service the bonds and notes outstanding to maturity, including both principal and interest, are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,389,007	\$ 2,265,681	\$ 3,654,688
2008	1,531,986	2,208,598	3,740,584
2009	1,710,111	2,143,464	3,853,575
2010	1,808,391	2,069,187	3,877,578
2011	1,988,458	2,025,165	4,013,623
Thereafter	<u>39,948,010</u>	<u>18,754,654</u>	<u>58,702,664</u>
	<u>\$48,375,963</u>	<u>\$29,466,749</u>	<u>\$77,842,712</u>

Governmental Activities:

General obligation bonds consist of:

\$451,919 1998 School Improvement Bond (Durant Settlement) payable in annual installments of \$40,810 to \$19,927 through May 15, 2013; interest at 4.76%; annual principal and interest payments are to be paid directly by the State of Michigan	\$ 266,841
\$28,835,000 1998 Refunding Bonds, payable in annual installments of \$140,000 to \$1,875,000 through May 1, 2023; interest from 3.75% to 5.00%	27,760,000
\$20,555,000 2004 School Building and Site Bonds payable in annual installments of \$255,000 to \$1,000,000 through May 1, 2023; interest from 3.00% to 4.75%	<u>19,975,000</u>
Total bonds payable	<u>\$ 48,001,841</u>

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 8 - LONG-TERM DEBT - (Continued)

Notes payable consist of:

\$424,938 Michigan Municipal Bond Authority
Installment Purchase Agreement, annual
payments of \$54,904, including interest
at 5.15%, final payment due July 30, 2014 \$ 374,122

Other governmental activity long-term obligations include:

Employee - compensated absences \$ 221,081

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical claims for certain employee groups. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10- DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS

Plan Description - The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

THREE RIVERS COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

**NOTE 10- DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS -
(Continued)**

Funding Policy - Employer contributions to the system result from the implementing effect of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 14.87 percent for the period July 1, 2005 through September 30, 2005 and 16.34 percent for the period October 1, 2005 through June 30, 2006 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2006, 2005, and 2004 were \$2,286,004, \$1,981,193, and \$1,747,578.

Post Employment Benefits - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

NOTE 11- SUBSEQUENT EVENT

On September 29, 2006, the School District sold a building and real estate to a non-related party. The property was reported by the School District at a cost of \$31,408 for the building and \$2,000 for the land. The building was fully depreciated. The sale agreement calls for the purchaser to pay the School District \$135,000. There was environmental contamination on the site, and the purchase price was reduced by \$6,750.

REQUIRED SUPPLEMENTAL INFORMATION

THREE RIVERS COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Revenues:				
Local sources	\$ 3,882,527	\$ 3,967,283	\$ 4,053,357	\$ 86,074
State sources	18,345,009	18,323,806	18,309,706	(14,100)
Federal sources	1,244,749	1,303,174	1,335,734	32,560
Interdistrict	<u>477,380</u>	<u>310,922</u>	<u>310,974</u>	<u>52</u>
Total revenue	23,949,665	23,905,185	24,009,771	104,586
Expenditures:				
Instruction 14,620,961	14,598,138	14,517,268	(80,870)	
Supporting services	9,907,496	9,866,876	9,836,773	(30,103)
Community services	146,500	146,500	141,420	(5,080)
Debt service	<u>55,000</u>	<u>55,000</u>	<u>54,904</u>	<u>(96)</u>
Total expenditures	<u>24,729,957</u>	<u>24,666,514</u>	<u>24,550,365</u>	<u>(116,149)</u>
Excess (deficiency) of revenues over expenditures	(780,292)	(761,329)	(540,594)	220,735
Other financing sources (uses):				
Operating transfers out	<u>(396,135)</u>	<u>(340,605)</u>	<u>(339,730)</u>	<u>(875)</u>
Net change in fund balance	(1,176,427)	(1,101,934)	(880,324)	221,610
Fund balance, July 1	<u>4,990,257</u>	<u>4,990,257</u>	<u>4,990,257</u>	<u>-</u>
Fund balance, June 30	<u>\$ 3,813,830</u>	<u>\$ 3,888,323</u>	<u>\$ 4,109,933</u>	<u>\$ 221,610</u>

OTHER SUPPLEMENTAL INFORMATION

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF REVENUES

YEAR ENDED JUNE 30, 2006

REVENUES

Revenues from local sources	
Current property taxes	\$ 3,768,624
Interest on investments	68,893
Tuition and fees	56,768
Other revenues	<u>159,072</u>
Total revenues from local sources	4,053,357
Revenues from state sources	
Foundation	16,485,679
At risk	648,804
Adult education	103,213
Early childhood education	240,680
Special education	780,646
Durant Settlement	45,192
Other state sources	<u>5,492</u>
Total revenues from state sources	18,309,706
Revenues from federal sources	
Title I	761,422
Title V LEA Allocation	9,927
Limited English Title III	16,805
Improving Teacher Quality Title II Part A	364,226
Technology Literacy Title II Part D	27,907
Adult education	30,400
Drug free schools	14,824
Medicaid outreach	94,852
Homeland security grant	10,634
Other federal sources	<u>4,737</u>
Total revenues from federal sources	1,335,734
Revenues from other districts	
Vocational education	216,934
Transportation	1,261
Adult education	89,522
Other revenue	<u>3,257</u>
Total revenues from other districts	<u>310,974</u>
Total revenues	<u>\$ 24,009,771</u>

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES
YEAR ENDED JUNE 30, 2006

INSTRUCTION

Elementary	
Salaries	\$ 3,054,075
Employee benefits	1,444,874
Purchased services	6,794
Supplies, material, and other	130,339
Capital outlay	<u>-</u>
Total elementary instruction expenditures	4,636,082
 Middle school	
Salaries	1,811,900
Employee benefits	814,139
Purchased services	4,020
Supplies, material, and other	56,255
Capital outlay	<u>10,066</u>
Total middle school instruction expenditures	2,696,380
 Secondary	
Salaries	2,265,143
Employee benefits	1,067,138
Purchased services	70,157
Supplies, material, and other	152,127
Capital outlay	<u>27,695</u>
Total secondary instruction expenditures	3,582,260
 Special education	
Salaries	1,092,794
Employee benefits	506,577
Purchased services	62,500
Supplies, material, and other	16,841
Capital outlay	<u>3,821</u>
Total special education instruction expenditures	1,682,533

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2006

INSTRUCTION - Continued

Compensatory education	
Salaries	449,380
Employee benefits	173,382
Purchased services	67,116
Supplies, material, and other	105,076
Capital outlay	<u>-</u>
Total compensatory education instruction expenditures	794,954
Vocational education	
Salaries	148,902
Employee benefits	60,774
Purchased services	<u>363,439</u>
Total vocational education instruction expenditures	573,115
Early childhood education	
Salaries	145,009
Employee benefits	66,953
Purchased services	2,013
Supplies, material, and other	<u>13,350</u>
Total early childhood education instruction expenditures	227,325
Adult and community education	
Salaries	119,442
Employee benefits	50,079
Purchased services	6,906
Supplies, material, and other	27,923
Capital outlay	<u>347</u>
Total adult and community education instruction expenditures	204,697
Other instruction	
Salaries	75,685
Employee benefits	18,157
Purchased services	25,030
Supplies, materials, and other	1,050
Capital outlay	<u>-</u>
Total other instruction expenditures	<u>119,922</u>
Total instruction expenditures	14,517,268

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2006

SUPPORTING SERVICES

Pupil

Guidance

Salaries	428,285
Employee benefits	207,594
Purchased services	-
Supplies, material, and other	<u>932</u>

Total guidance expenditures	636,811
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Health

Salaries	33,901
Employee benefits	22,032
Purchased services	864
Supplies, material, and other	<u>4,582</u>

Total health expenditures	61,379
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Other pupil services

Salaries	177,077
Employee benefits	<u>54,673</u>

Total other pupil services	<u>231,750</u>
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Total pupil supporting services expenditures	929,940
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Instructional staff

Curriculum coordination

Salaries	152,098
Employee benefits	64,930
Purchased services	258,816
Supplies, material, and other	<u>433,033</u>

Total curriculum coordination expenditures	908,877
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Library

Salaries	177,806
Employee benefits	80,202
Purchased services	-
Supplies, material, and other	<u>20,380</u>

Total library expenditures	278,388
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THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2006

SUPPORTING SERVICES - Continued

Instructional staff - Continued

Technology coordination	
Salaries	196,511
Employee benefits	94,630
Purchased services	159,210
Supplies, material, and other	72,205
Capital outlay	<u>58,042</u>

 Total technology coordination expenditures 580,598

Program coordination	
Salaries	118,436
Employee benefits	55,155
Purchased services	7,282
Supplies, material, and other	4,558
Capital outlay	<u>-</u>

 Total program coordination expenditures 185,431

 Total instructional staff supporting
 services expenditures 1,953,294

General administration

Board of education	
Salaries	-
Purchased services	80,374
Supplies, material, and other	<u>72,062</u>

 Total board of education expenditures 152,436

Executive administration

Salaries	304,279
Employee benefits	139,205
Purchased services	5,501
Supplies, material, and other	13,514
Capital outlay	<u>1,743</u>

 Total executive administration expenditures 464,242

 Total general administration supporting
 services expenditures 616,678

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2006

SUPPORTING SERVICES - Continued

School administration	
Office of the principal	
Salaries	957,897
Employee benefits	421,983
Purchased services	30,224
Supplies, material, and other	48,907
Capital outlay	<u>-</u>
Total school administrative supporting services expenditures	1,459,011
Business	
Fiscal services	
Salaries	131,667
Employee benefits	72,235
Purchased services	63,292
Supplies, material, and other	221,139
Capital outlay	<u>5,000</u>
Total business supporting services expenditures	493,333
Operation and maintenance of plant	
Salaries	832,097
Employee benefits	479,432
Purchased services	695,420
Supplies, material, and other	868,712
Capital outlay	<u>448</u>
Total operation and maintenance of plant expenditures	2,876,109
Pupil transportation services	
Salaries	705,361
Employee benefits	342,152
Purchased services	45,709
Supplies, material, and other	200,786
Capital outlay	<u>214,400</u>
Total pupil transportation services expenditures	<u>1,508,408</u>
Total supporting services expenditures	9,836,773

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
STATEMENT OF OPERATING EXPENDITURES - Continued
YEAR ENDED JUNE 30, 2006

COMMUNITY SERVICES

Recreation	
Salaries	12,436
Employee benefits	2,826
Purchased services	2,039
Supplies, materials, and other	<u>919</u>
Total recreation expenditures	18,220
Other	
Salaries	28,714
Employee benefits	19,084
Purchased services	66,567
Supplies, materials, and other	<u>8,835</u>
Total other expenditures	<u>123,200</u>
Total community services expenditures	141,420

DEBT SERVICES

Principal payments	34,306
Interest and fiscal charges	<u>20,598</u>
Total debt services	<u>54,904</u>
Total operating expenditures	<u>\$ 24,550,365</u>

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>Special Revenue Funds</u>			
	<u>Food Services</u>	<u>Athletics</u>	<u>Expendable Trust</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 200,309	\$ -	\$ 52,986	\$ 253,295
Accounts receivable	546	-	-	546
Inventory	11,565	-	-	11,565
Prepaid expenditures	<u>4,325</u>	<u>-</u>	<u>-</u>	<u>4,325</u>
Total assets	<u>\$ 216,745</u>	<u>\$ -</u>	<u>\$ 52,986</u>	<u>\$ 269,731</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	<u>119,592</u>	<u>-</u>	<u>-</u>	<u>119,592</u>
Total liabilities	119,592	-	-	119,592
Fund balances:				
Reserved:				
Prepaid expenditures	4,325	-	-	4,325
Inventory	11,565	-	-	11,565
Scholarships	-	-	52,986	52,986
Unreserved:				
Undesignated	<u>81,263</u>	<u>-</u>	<u>-</u>	<u>81,263</u>
Total fund balances	<u>97,153</u>	<u>-</u>	<u>52,986</u>	<u>150,139</u>
Total liabilities and fund balances	<u>\$ 216,745</u>	<u>\$ -</u>	<u>\$ 52,986</u>	<u>\$ 269,731</u>

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2006

	<u>Special Revenue Funds</u>			
	<u>Food Services</u>	<u>Athletics</u>	<u>Expendable Trust</u>	<u>Total</u>
Revenues:				
Local sources	\$ 486,813	\$ 72,663	\$ 1,853	\$ 561,329
State sources	45,933	-	-	45,933
Federal sources	<u>571,525</u>	<u>-</u>	<u>-</u>	<u>571,525</u>
Total revenues	1,104,271	72,663	1,853	1,178,787
Expenditures:				
Food services	1,079,386	-	-	1,079,386
Athletics	-	412,393	-	412,393
Scholarships	<u>-</u>	<u>-</u>	<u>16,700</u>	<u>16,700</u>
Total expenditure	<u>1,079,386</u>	<u>412,393</u>	<u>16,700</u>	<u>1,508,479</u>
Excess (deficiency) of revenues over expenditures	24,885	(339,730)	(14,847)	(329,692)
Other financing sources:				
Operating transfers in	<u>-</u>	<u>339,730</u>	<u>-</u>	<u>339,730</u>
Net change in fund balances	24,885	-	(14,847)	10,038
Fund balances, July 1	<u>72,268</u>	<u>-</u>	<u>67,833</u>	<u>140,101</u>
Fund balances, June 30	<u>\$ 97,153</u>	<u>\$ -</u>	<u>\$ 52,986</u>	<u>\$ 150,139</u>

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

FOOD SERVICE SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 490,000	\$ 486,813	\$ (3,187)
State sources	45,100	45,933	833
Federal sources	<u>545,000</u>	<u>571,525</u>	<u>26,525</u>
Total revenues	1,080,100	1,104,271	24,171
Expenditures:			
Salaries	337,000	351,646	14,646
Employee benefits	129,000	143,033	14,033
Purchased services	17,500	18,757	1,257
Supplies, material, and other	595,000	563,334	(31,666)
Capital outlay	<u>5,000</u>	<u>2,616</u>	<u>(2,384)</u>
Total expenditures	<u>1,083,500</u>	<u>1,079,386</u>	<u>(4,114)</u>
Excess (deficiency) of revenues over expenditures	(3,400)	24,885	28,285
Fund balance, July 1	<u>72,268</u>	<u>72,268</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 68,868</u></u>	<u><u>\$ 97,153</u></u>	<u><u>\$ 28,285</u></u>

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

ATHLETIC SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES - BUDGET AND ACTUAL
 YEAR ENDED JUNE 30, 2006

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 70,550	\$ 72,663	\$ 2,113
Expenditures:			
Salaries	258,685	259,876	1,191
Employee benefits	78,770	77,708	(1,062)
Purchased services	37,910	37,905	(5)
Supplies, material, and other	14,548	14,543	(5)
Capital outlay	<u>21,242</u>	<u>22,361</u>	<u>1,119</u>
Total expenditures	<u>411,155</u>	<u>412,393</u>	<u>1,238</u>
Excess (deficiency) of revenues over expenditures	(340,605)	(339,730)	875
Other financing sources:			
Operating transfers in	<u>340,605</u>	<u>339,730</u>	<u>(875)</u>
Excess (deficiency) of revenues over expenditures and other financing sources	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
STUDENT ACTIVITIES AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2006

	Balances <u>June 30, 2005</u>	<u>Additions</u>	<u>Deductions</u>	Balances <u>June 30, 2006</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>134,999</u>	\$ <u>496,054</u>	\$ <u>476,111</u>	\$ <u>154,942</u>
<u>LIABILITIES</u>				
Due to student groups	\$ <u>134,999</u>	\$ <u>496,054</u>	\$ <u>476,111</u>	\$ <u>154,942</u>

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2006

1998 SCHOOL IMPROVEMENT BONDS \$ 451,919

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	4.76	\$ 8,819	\$ 22,911	\$ 31,730
2008	4.76	7,728	24,007	31,735
2009	4.76	6,585	25,151	31,736
2010	4.76	5,388	26,347	31,735
2011	4.76	40,539	109,221	149,760
2012	4.76	2,819	28,915	31,734
2013	4.76	<u>1,442</u>	<u>30,289</u>	<u>31,731</u>
Total		<u>\$ 73,320</u>	<u>\$ 266,841</u>	<u>\$ 340,161</u>

Interest and principal on the bonds of the above issue are payable annually on May 15. As part of the Durant Settlement the annual principal and interest payments are to be made directly by the State of Michigan.

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2006

1998 SCHOOL BUILDING AND SITE BONDS

\$ 28,835,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	4.45	\$ 1,360,648	\$ 980,000	\$ 2,340,648
2008	4.55	1,317,038	1,095,000	2,412,038
2009	4.60	1,267,215	1,220,000	2,487,215
2010	4.70	1,211,095	1,340,000	2,551,095
2011	4.80	1,148,115	1,485,000	2,633,115
2012	4.85	1,076,835	1,630,000	2,706,835
2013	4.90	997,780	1,795,000	2,792,780
2014	4.95	909,825	1,850,000	2,759,825
2015	5.00	818,250	1,875,000	2,693,250
2016	5.00	724,500	1,850,000	2,574,500
2017	5.00	632,000	1,825,000	2,457,000
2018	5.00	540,750	1,825,000	2,365,750
2019	5.00	449,500	1,825,000	2,274,500
2020	5.00	358,250	1,825,000	2,183,250
2021	5.00	267,000	1,800,000	2,067,000
2022	5.00	177,000	1,780,000	1,957,000
2023	5.00	<u>88,000</u>	<u>1,760,000</u>	<u>1,848,000</u>
Total		<u>\$13,343,801</u>	<u>\$27,760,000</u>	<u>\$41,103,801</u>

Interest on the bonds of the above issue is payable semi-annually on November 1, and May 1. Principal is payable on May 1.

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF BONDED INDEBTEDNESS
YEAR ENDED JUNE 30, 2006

2004 SCHOOL BUILDING AND SITE BONDS

\$ 20,555,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	3.00	\$ 877,406	\$ 350,000	\$ 1,227,406
2008	3.25	866,906	375,000	1,241,906
2009	3.50	854,719	425,000	1,279,719
2010	3.50	839,844	400,000	1,239,844
2011	3.50	825,844	350,000	1,175,844
2012	3.50	813,594	300,000	1,113,594
2013	3.50	803,094	250,000	1,053,094
2014	4.00	794,344	300,000	1,094,344
2015	4.00	782,344	375,000	1,157,344
2016	4.00	767,344	525,000	1,292,344
2017	4.00	746,344	650,000	1,396,344
2018	4.00	720,344	775,000	1,495,344
2019	4.00	689,344	775,000	1,464,344
2020	4.00	658,344	775,000	1,433,344
2021	4.25	627,344	775,000	1,402,344
2022	4.375	594,406	775,000	1,369,406
2023	4.75	560,500	800,000	1,360,500
2024	4.75	522,500	1,000,000	1,522,500
2025	4.75	475,000	1,000,000	1,475,000
2026	4.75	427,500	1,000,000	1,427,500
2027	4.75	380,000	1,000,000	1,380,000
2028	4.75	332,500	1,000,000	1,332,500
2029	4.75	285,000	1,000,000	1,285,000
2030	4.75	237,500	1,000,000	1,237,500
2031	4.75	190,000	1,000,000	1,190,000
2032	4.75	142,500	1,000,000	1,142,500
2033	4.75	95,000	1,000,000	1,095,000
2034	4.75	47,500	1,000,000	1,047,500
Total		<u>\$ 15,957,065</u>	<u>\$ 19,975,000</u>	<u>\$ 35,932,065</u>

Interest on the bonds of the above issue is payable semi-annually on November 1 and May 1. Principal is payable on May 1.

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
STATEMENT OF NOTES PAYABLE
YEAR ENDED JUNE 30, 2006

2004 INSTALLMENT PURCHASE PLAN \$ 424,938

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007	5.15	\$ 18,808	\$ 36,096	\$ 54,904
2008	5.15	16,926	37,979	54,905
2009	5.15	14,945	39,960	54,905
2010	5.15	12,860	42,044	54,904
2011	5.15	10,667	44,237	54,904
2012	5.15	8,359	46,545	54,904
2013	5.15	5,932	48,972	54,904
2014	5.15	3,377	51,527	54,904
2015	5.15	<u>689</u>	<u>26,762</u>	<u>27,451</u>
Total		<u>\$ 92,563</u>	<u>\$ 374,122</u>	<u>\$ 466,685</u>

THREE RIVERS COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I - Educationally Deprived	84.010	0515300405 0515300506 0615300506	\$ 618,541 109,154 683,174
Adult Ed. - State Admin.	84.002	0611206500545	34,400
Title V LEA Allocation	84.298	0602500506	10,307
Improving Teacher Quality	84.367	0505200405 0405200405 0505200506 0605200506	176,580 132,856 48,370 222,694
Title III Limited English	84.365	0505800506 0605800506	11,155 15,921
Technology Literacy	84.318	0542900405 0542900506 0642900506	6,122 12,372 12,745
Passed Through Intermediate School District:			
Striving Readers	84.371	ED98C00061	4,737
Drug Free Schools	84.186		14,824

TOTAL DEPARTMENT OF EDUCATION

U.S. Department of Health and Human Services

Passed Through Intermediate School District:

Medicaid outreach	93.778	94,852
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(continued on next page)

Accrued (Deferred) Revenue July 1, 2005	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued (Deferred) Revenue June 30, 2006
\$ 68,232	473,232	\$ 145,309	\$ 213,541	\$ -
-		109,154	109,154	-
-		506,959	460,000	46,959
<u>68,232</u>		<u>761,422</u>	<u>782,695</u>	<u>46,959</u>
-		30,400	30,400	-
-		9,927	10,307	(380)
(6,500)		176,580	170,080	-
(4,491)	128,365	4,491	-	-
-		48,370	48,370	-
-		134,785	104,000	30,785
<u>(10,991)</u>		<u>364,226</u>	<u>322,450</u>	<u>30,785</u>
-		11,155	11,155	-
-		5,650	5,650	-
<u>-</u>		<u>16,805</u>	<u>16,805</u>	<u>-</u>
3,332	3,332	2,790	6,122	-
-		12,372	12,372	-
-		12,745	12,745	-
<u>3,332</u>		<u>27,907</u>	<u>31,239</u>	<u>-</u>
60,573		1,210,687	1,193,896	77,364
-		4,737	4,737	-
<u>26,999</u>	31,182	<u>14,824</u>	<u>41,823</u>	<u>-</u>
87,572		1,230,248	1,240,456	77,364
5,176	112,503	94,852	64,370	35,658

THREE RIVERS COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. Department of Agriculture</u>			
Nutrition Cluster			
Passed Through State Department of Education			
National School Lunch Program	10.555	05-06 04-05	357,942 357,679
National School Lunch Special Milk Program	10.556	05-06 04-05	542 850
National School Lunch Breakfast	10.553	05-06 04-05	106,035 107,277
Food Distribution Entitlement Commodities	10.550	05-06	47,548
Bonus Commodities		05-06	3,039
TOTAL DEPARTMENT OF AGRICULTURE			
<u>U.S. Department of Homeland Security</u>			
Passed Through Michigan State Police:			
2003 State Homeland Security Grant	97.004		10,634

TOTAL FEDERAL FINANCIAL ASSISTANCE

Notes:

- 1.*Designates Major Program
2. Dollar threshold used to distinguish between Type A and Type B programs - \$300,000.
3. Expenditures in this schedule are in agreement with amounts reported in the financial statements.
4. The amounts reported on the R7120 reconcile with this schedule.

Accrued (Deferred) Revenue <u>July 1, 2005</u>	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued (Deferred) Revenue <u>June 30, 2006</u>
-		357,942	357,942	-
-	312,693	44,986	44,986	-
-		* 402,928	402,928	-
-		542	542	-
-	850	-	-	-
-		* 542	542	-
-	95,844	106,035	106,035	-
-		11,433	11,433	-
-		* 117,468	117,468	-
-		47,548	47,548	-
-		3,039	3,039	-
-		50,587	50,587	-
-		571,525	571,525	-
-		10,634	10,634	-
<u>\$ 92,748</u>		<u>\$ 1,907,259</u>	<u>\$1,886,985</u>	<u>\$ 113,022</u>



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REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education
Three Rivers Community Schools, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Three Rivers Community Schools, as of and for the year ended June 30, 2006, which collectively comprise the Three Rivers Community Schools basic financial statements and have issued our report thereon dated October 5, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered Three Rivers Community Schools internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether Three Rivers Community Schools financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

October 5, 2006

Norman & Paulsen, P.C.



Norman & Paulsen, P.C.

Certified Public Accountants

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Three Rivers Community Schools, Michigan

Compliance - We have audited the compliance of Three Rivers Community Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Three Rivers Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Three Rivers Community Schools' management. Our responsibility is to express an opinion on Three Rivers Community Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local governments, and Non-Profit Organizations*. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Three Rivers Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Three Rivers Community Schools' compliance with those requirements.

In our opinion, Three Rivers Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
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Jerrel T. Norman (1941-1982)

Internal Control over Compliance - The management of Three Rivers Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Three Rivers Community Schools internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Norman J. Paulson, P.C.

October 5, 2006

THREE RIVERS COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

1. Summary of auditor's results:

- (I) An unqualified opinion was issued on the financial statements.
- (ii) No reportable conditions in internal control were disclosed by the audit of the financial statements.
- (iii) The audit disclosed no noncompliance.
- (iv) No reportable conditions in internal control over major programs were disclosed by the audit.
- (v) An unqualified opinion was issued on Compliance for major programs.
- (vi) No audit findings were disclosed.
- (vii) Major programs: U.S. Department of Agriculture:
Nutrition Cluster
- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- (ix) Three Rivers Community Schools qualified as a low-risk auditee.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS:

NONE

3. Findings and questioned costs for Federal awards:

NONE